

Cash Reserve Fund Status

The Cash Reserve Fund was created in 1983 to provide a source of funds for temporary transfers to the State General Fund when balances were not sufficient to process expenditure transactions. The original balance in the Cash Reserve Fund was accumulated through the imposition of an increase in the sales tax. The movement of monies between the Cash Reserve Fund and the General Fund for cash management purposes have been governed by a variety of legislation over the life of the Fund. Also, there have been several instances in which money was moved to and from the Cash Reserve Fund to accomplish policy initiatives that were not related to cash management.

The most recent legislative change to the operation of the Cash Reserve Fund occurred in 1996. This change provides for an annual, rather than quarterly comparison of actual General Fund receipts to the certified projection of the Economic Forecasting Advisory Board. If actual receipts are found to be greater than the certified projection, a transfer in the amount of the difference is made from the General Fund to the Cash Reserve Fund. The most recent such transfer occurred in July of 2000 when approximately \$77.6 million was moved from the General Fund to the Cash Reserve Fund.

Current law provides for the transfer of \$87.4 million from the Cash Reserve Fund to the General Fund in FY 2002-03. Current law (LB2 of 2002 second special legislative session) also provides for transfer of \$14.4 million attributable to the additional temporary .5 percent sales tax on motor vehicles from the Highway Trust Fund to the Cash Reserve Fund in FY 2002-03 and deposit of 28 cents of the temporary 30 cent cigarette tax increase (LB1085 of 2002 regular legislative session) into the Cash Reserve Fund in FY 2003-04 and FY 2004-05. A small repayment to the Cash Reserve Fund of \$370,000 from the Municipal Natural Gas Revolving Fund is expected to occur in FY 2003-04. Finally, current law provides for a \$22.5 million transfer from the General Fund to the Cash Reserve Fund in FY 2004-05.

The Governor's recommendations do not propose changes to these transfers provided in current law. The Governor's recommendations do not propose additional transfers from the Cash Reserve Fund to the General Fund. The Governor recommends preserving the current and projected balances in the Cash Reserve Fund. In addition, for planning purposes the Governor proposes an additional \$35.0 million transfer from the General Fund to the Cash Reserve Fund in FY 2005-06 to continue efforts to rebuild this Fund. The estimated balance in the Cash Reserve Fund at the end of the 2003-2005 biennium is \$123.7 million and at the end of the 2005-2007 biennium is \$158.7 million.

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Cash Reserve Fund Status	Current FY2002-03	Next Biennium FY2003-04FY2004-05		Following Biennium FY2005-06FY2006-07	
Beginning Balance	110,066,099	59,646,099	92,696,099	123,716,099	158,716,099
Transfer Amounts Above Forecasts					
To/From Gen Fund per Current Law	(87,400,000)		22,500,000		
Cigarette Tax (LB 1085, 2002) - estimate	22,580,000	32,680,000	8,520,000		
Muni Natural Gas Revolving Fund - transfer in		370,000			
Highway Trust (MV sales tax) - transfer in	14,400,000				
To/From Gen Fund (2003 Session)				35,000,000	
Ending Balance	59,646,099	92,696,099	123,716,099	158,716,099	158,716,099